



Patrick W. Henning, Director



Arnold Schwarzenegger
Governor

January 2, 2008
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Ms. Elaine Craig, Executive Director
Madera County Department of Education
Employment Training Office
209 East 7th Street
Madera, CA 93638

Dear Ms. Craig:

**WORKFORCE INVESTMENT ACT
FISCAL AND PROCUREMENT REVIEW
FINAL MONITORING REPORT
PROGRAM YEAR 2006-07**

This is to inform you of the results of our review for Program Year (PY) 2006-07 of the Madera County Workforce Development Office's (MCWDO) Workforce Investment Act (WIA) grant financial management and procurement systems. This review was conducted by Ms. Karen Fuller-Ware and Mr. Fernando Piña from June 18-22, 2007. For the fiscal portion of the review, we focused on the following areas: fiscal policies and procedures, accounting system, reporting, program income, expenditures, internal control, allowable costs, cash management, cost allocation, indirect costs, cost/resource sharing, fiscal monitoring of subrecipients, single audit and audit resolution policies and procedures for its subrecipients and written internal management procedures. For the procurement portion of the review, we examined procurement policies and procedures, methods of procurement, procurement competition and selection of service providers, cost and price analyses, and contract terms and agreements and property management.

Our review was conducted under the authority of Section 667.410(b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by MCWDO with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding financial management and procurement for PY 2006-07.

We collected the information for this report through interviews with representatives of MCWDO, a review of applicable policies and procedures, and a review of documentation retained by MCWDO for a sample of expenditures and procurements for PY 2006-07.

We received your response to our draft report on September 12, 2007, and reviewed your comments and documentation before finalizing this report. Because your response adequately addressed findings 1 and 2 cited in the draft report, no further action is required at this time and we consider these issues resolved.

BACKGROUND

The MCWDO was awarded WIA funds to administer a comprehensive workforce investment system by way of streamlining services through the One-Stop delivery system. For PY 2006-07, MCWDO was allocated: \$189,621 to serve 385 adult participants; \$712,706 to 243 youth participants; and \$89,298 to serve 149 dislocated worker participants.

For the quarter ending March 31, 2007, MCWDO reported the following expenditures and enrollments for its WIA programs: \$130,198.64 to serve 461 adult participants; \$42,023.13 to serve 221 youth participants; and \$28,298.89 to serve 104 dislocated worker participants.

FISCAL REVIEW RESULTS

While we concluded that, overall, MCWDO is meeting applicable WIA requirements concerning financial management, we noted an instance of noncompliance in the area of accruals. The finding that we identified in this area, our recommendation, and MCWDO's proposed resolution of the finding are specified below.

FINDING 1

Requirement:

20 CFR Section 667.300(c)(3) states, in part, that reported expenditures must be on the accrual basis of accounting.

WIA Directive WIAD05-14 states, in part, that all WIA recipients are required to use the accrual system of accounting and submit a Summary of WIA Expenditures Report on a quarterly basis.

Observation:

We found that MCWDO did not report accruals for the period ending March 31, 2007. Specifically, MCWDO's internal records substantiated that it did not report accruals for payroll, training costs, and supportive services.

Recommendation: We recommended that MCWDO provide CRD with a CAP that states how it will ensure that, in the future, quarterly program expenditures are reported on an accrual basis.

MCWDO Response: The MCWDO stated that during the training of a new fiscal manager in the beginning of PY 2006-07, it was the new fiscal manager's understanding that accruals were not an item that needed to be reported on the quarterly reports. It was not until the new fiscal manager attended the National Financial and Administrative Forum in February 2007, that it was realized that accruals needed to be reported on a quarterly basis. As a result of this information, an action plan was implemented starting in the third quarter of PY 2006-07 that accruals will be reported.

State Conclusion: We Reviewed MCWDO's expenditure reports for the June quarter of PY 2006-07 and the September quarter of PY 2007-08 and verified that the accruals were included in the reports. Therefore, we consider this finding resolved.

PROCUREMENT REVIEW RESULTS

While we concluded that, overall, MCWDO is meeting applicable WIA requirements concerning procurement, we noted an instance of noncompliance in the area of procurement. The finding that we identified in this area, our recommendation, and MCWDO's proposed resolution of the finding are specified below.

FINDING 2

Requirement: 29 CFR Section 97.36 states, in part, that grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law.

WIA Directive WIAD00-2 states, in part, that a small purchase is the acquisition of goods or services that does not cost more than \$50,000 in the aggregate.

The MCWDO's policies and procedures identify a small purchase as those purchases that do not exceed \$50,000.

- Observation:** We observed that MCWDO did not follow its own procurement policies and procedures in procuring Small Business Resource Workbooks from Thielen Partners. Specifically, MCWDO purchased workbooks from Thielen Partners for \$60,050. However, according to MCWDO's own procurement policies and procedures, the small purchase limit is \$50,000.
- Recommendation:** We recommended that MCWDO provide CRD with a CAP explaining how it will ensure that, in the future, it follows its own procurement policies and procedures to ensure that goods and services are procured using the most appropriate and competitive process for purchases above \$50,000.
- MCWDO Response:** The MCWDO stated that the documentation to support that the policy and procedures for the Request for Quotes (RFQ) for the "Small Business Resource Workbook Purchase" were followed, but were inadvertently omitted from the file. Therefore, MCWDO provided copies of the documentation in its response.
- State Conclusion:** We consider this finding resolved.

In addition to the finding above, we identified a condition that may become a compliance issue if not addressed. Specifically, MCWDO's procurement policy and procedures do not include language on how to avoid the purchasing of unnecessary or duplicative items and the consideration of lease versus purchase. We suggested that MCWDO update its procurement policies and procedures to include a policy for avoiding the purchasing of unnecessary or duplicative items and for lease versus purchase.

In its response, MCWDO did not address our concerns.

We provide you up to 20 working days after receipt of this report to submit to the Compliance Review Division your response to this report. Because we faxed a copy of this report to your office on the date indicated above, we request your response no later than January 31, 2008. Please submit your response to the following address:

Compliance Monitoring Section
Compliance Review Division
722 Capitol Mall, MIC 22M
P.O. Box 826880
Sacramento, CA 94280-0001

In addition to mailing your response, you may also FAX it to the Compliance Monitoring Section at (916) 654-6096.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. It is MCWDO's responsibility to ensure that its systems, programs, and related activities comply with the WIA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain MCWDO's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Mr. Fernando Piña at (916) 654-7005 or Ms. Karen Fuller-Ware at (916) 653-4174.

Sincerely,

A handwritten signature in black ink, appearing to read "Jessie Mar", with a stylized, cursive script.

JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Division

cc: Eileen Rofhling, MIC 50
Shelly Green, MIC 45
Jose Luis Marquez, MIC 50
Don Migge, MIC 50